

Message Text

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ACTION ARA-17

INFO OCT-01 EUR-25 ADP-00 INT-08 OEP-01 CIAE-00 DODE-00

PM-09 H-02 INR-09 L-03 NSAE-00 NSC-10 PA-03 RSC-01

PRS-01 SS-14 USIA-12 EB-11 COME-00 OMB-01 FPC-01

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9072

INFO AMEMBASSY OTTAWA

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E. O. 11652: N/A

TAGS: ENRG VE

SUBJECT: REACTION TO OEP STATEMENT ON HEMISPHERIC PREFERENCES
AND TAR BELT

1. PETROLEUM ATTACHE WAS CONTACTED TODAY BY OFFICIAL OF CREOLE PETROLEUM CORPORATION (EXXON), WHO EXPRESSED EXTREME ANNOYANCE AND CONCERN ABOUT STORIES FLOODING PRESS, RADIO AND TELEVISION HERE BASED ON DECLARATIONS, ALLEGEDLY MADE BY DARREL M. TRENT OF OFFICE OF EMERGENCY PREPAREDNESS, WHICH SUGGEST U. S. HAS DECIDED TO GIVE PREFERENCES TO VENEZUELAN OIL AND TO DEVELOP ORINOCO PETROLEUM BELT. THE CREOLE OFFICIAL, EVERETT BAUMANN, WHO HANDLES POLITICAL AFFAIRS AND HIGH LEVEL PUBLIC RELATIONS, GAVE IMPRESSION THAT HE WAS CALLING UNDER INSTRUCTION FROM TOP MANAGEMENT, AND SAID HE WAS REFLECTING VIEWS OF EVERYONE AT CREOLE WHERE THIS MATTER IS TODAY NO. 1 TOPIC OF CONVERSATION IN CORRIDORS.

2. ACCORDING TO STORIES APPEARING HERE (BASED ON AN AP DISPATCH), MR. TRENT SAID THAT U. S. IS READY TO
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JOIN WITH VENEZUELA IN DEVELOPMENT OF ITS RESERVES OF HEAVY OIL IN THE ORINOCO DEPOSIT, AND ADMINISTRATION IS CONSIDERING POSSIBILITY OF INCREASING PREFERENCES GIVEN TO WESTERN HEMISPHERIC OIL IN ORDER TO ARRIVE AT MORE SECURE BASIS FOR ITS IMPORTATIONS. AP STORY NOTED THAT THIS IS FIRST TIME HIGH AMERICAN OFFICIAL PLACED VENEZUELA WITHIN U. S. A CANADIAN SUPPLY SYSTEM. IT ADDED THAT IN PAST PLANNING HAD CONCENTRATED ON A U. S. - CANADA ENERGY COMMUNITY, AN IDEA NOW BEING RESISTED BY OTTAWA. LETTER DEVELOPMENT, TRENT REPORTEDLY SAID, CAUSED THOSE WHO SAW IN CANADA A MAGIC SOLUTION TO U. S. ENERGY PROBLEMS TO CHANGE THEIR VIEWS.

3. BAUMANN EXPRESSED VIEW THAT STATEMENTS OF THIS KIND FROM WASHINGTON DO US HERE GREATEST POSSIBLE HARM, GIVEN THE VENEZUELAN VIEW THAT ENERGY WORLD REVOLVES AROUND VENEZUELA'S OIL AND THAT U. S. NEEDS VENEZUELAN OIL SO DESPERATELY THAT VENEZUELA IS CERTAIN TO HAVE UPPER HAND IN ANY NEGOTIATIONS FOR DEVELOPMENT OF ORINOCO BELT. IN BAUMANN'S VIEW, STATEMENTS FROM WASHINGTON EXTOLLING VIRTUES OF TAR BELT ONLY MAKE US LOOK FOOLISH AND DO HARM TO OUR NEGOTIATING POSITION.

4. BAUMANN ALSO CLAIMS TO SEE BEGINNINGS OF AN ADVERSE REACTION TO ALLEGATIONS OF WASHINGTON'S INTEREST IN TAR BELT. HE SAID THAT ONE LOCAL RADIO STATION (RADIO CAFETAL) COMMENTED IN EXTREMELY NEGATIVE FASHION ON MR. TRENT'S ALLEGED REMARKS. RADIO STATION REPORTEDLY ASKED WHEN WASHINGTON IS GOING TO LEARN THAT WE DO NOT WANT THEIR HELP AND DO NOT NEED IT AND THEY SHOULD GET OFF OUR BACKS.

5. COMMENT. EMBASSY BELIEVES THAT U. S. OFFICIALS SHOULD EMPLOY GREAT CAUTION MAKING PUBLIC STATEMENTS THAT WOULD TEND TO STRENGTHEN ALREADY DISTRESSINGLY STRONG VENEZUELAN IMPRESSION THAT U. S. IS LUSTING AFTER ADDITIONAL OIL RESOURCES OF VENEZUELA. ON THE OTHER HAND, THE OTHER EXTREME-- IMPLYING NEGLECT OR DISINTEREST IN VENEZUELA AS A POSSIBLE SOURCE OF RELATIVELY SECURE OIL-- IS ALSO TO BE AVOIDED. IDEALLY, FROM POINT OF VIEW OF OUR RELATIONSHIP WITH VENEZUELA AND OUR LIMITED OFFICIAL USE

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CHANCES TO WORK OUT A MUTUALLY SATISFACTORY ARRANGEMENT

ON ENERGY MATTERS, WE SHOULD LEAVE WAY OPEN IN ANY
U. S. POLICY MESSAGES TO A POSSIBLE ENERGY AGREEMENT
WITH VENEZUELA WITHOUT SUGGESTING THAT THERE IS ANY
REASON WHY ANY SUCH AGREEMENT SHOULD BE OF MORE INTEREST
TO U. S. THAN IT IS TO VENEZUELA.
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